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NOTE FOR: Director of Central Intelligence

FROM : Associate Deputy Director for Intelligence


SUBJECT : Comments on Senator Leahy's Column in the 28 November
Washington Post

1. In his column Senator Leahy reports a common misunderstanding of the dollar costs of Soviet defense activities. He claims that "...every time the U.S. military gets a pay raise, estimates of Soviet defense spending go up."

2. We make two kinds of expenditures estimates, each for a different purpose. One, the dollar estimate of Soviet defense expenditures, does increase if US troops get a pay raise. But the purpose of the dollar estimate is to compare Soviet military activities with comparable US activities, and a common denominator--the dollar--must be used.

3. To portray the burden of Soviet defense expenditures on the Soviet economy, we use the ruble estimate of military activities. This estimate is not affected by price changes in US equipment or personnel.

4. Thus, Senator Leahy's comment is half right, but common to all international comparisons which compare economic activities in a common currency.


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